

STATE OF ALABAMA
ALABAMA SECURITIES COMMISSION

IN THE MATTER OF:)
)
HEARTLAND ENERGY, INC.)
CHARLES REED CAGLE)
RANDY KAMPS)
)
 RESPONDENTS)

ADMINISTRATIVE ORDER
NO. CD-2002-0018

CEASE AND DESIST ORDER

The Alabama Securities Commission ("Commission"), having the power to administer and provide for the enforcement of all provisions of Title 8, Chapter 6, Code of Alabama 1975, the Alabama Securities Act ("Act"), upon due consideration of the subject matter hereof, and having confirmed information of the offers for sale and/or sale of securities into, within or from the state of Alabama, has determined as follows:

RESPONDENTS

1. HEARTLAND ENERGY, INC. ("RESPONDENT HEARTLAND"), is represented to be a Colorado and a Texas entity incorporated in both states, with business addresses of 2864 S. Circle Drive, Suite 310, Colorado Springs, CO 80906; 10440 Central Expressway, Suite 1255, Dallas, TX 75231, and 5910 North Central Expressway, Suite 1710, Dallas, TX 75206.

2. CHARLES REED CAGLE ("RESPONDENT CAGLE"), is variously represented to be the chief executive officer, president, director and registered agent of RESPONDENT HEARTLAND, with business addresses of 2864 S. Circle Drive, Suite 310, Colorado Springs, CO 80906; 10440 Central Expressway, Suite 1255, Dallas, TX 75231, and 5910 North Central Expressway, Suite 1710, Dallas, TX 75206. During the period 12/01/87 to 04/07/95, REED was an Alabama, et al, registered agent of KINLAW SECURITIES CORPORATION (**registration revoked by the SEC on 08/02/95 and as**

of 12/31/95 was either revoked, cancelled, withdrawn or terminated by all other securities jurisdictions, to include Alabama).

3. RANDY KAMPS ("RESPONDENT KAMPS") is represented to be the Associate Vice President of RESPONDENT HEARTLAND, with a business address of 2864 S. Circle Drive, Suite 310, Colorado Springs, CO 80906.

STATEMENT OF FACTS

4. On August 28, 2002, the Commission received oil/gas offering documents from an Alabama resident concerning a Texas oil/gas joint venture, named "Heartland Energy, Inc. Yellow Creek #2 Joint Venture, to be drilled in Section 12, Township 15S, Range 15W, Lamar County, AL, that he received from RESPONDENT KAMPS. The Alabama resident stated that he was telephonically contacted by RESPONDENT KAMPS on August 20, 2002, who offered him an interest in the joint venture. RESPONDENT KAMPS told him that 19 units, at a per unit price of \$58,000 would be sold; that the venture was not a limited partnership, but a full partnership; that he had 1 unit left to be sold, and within the first year, a profit of 300% would be realized on his investment. RESPONDENT KAMPS told him he would send him some information, which was received. RESPONDENT KAMPS then recontacted the Alabama resident wanting to know if he was going to invest and he told him no.

5. Review of the offering documents, furnished by the Alabama resident, disclosed that in addition to the \$58,000 per unit price in the joint venture, a \$28,000 per unit completion assessment would be made, and the total offering would generate \$1,102,000, not including a completion assessment of \$532,000. RESPONDENT CAGLE is reflected as the "Managing Venturer" and Chief Executive Officer of RESPONDENT HEARTLAND, and it is stated that RESPONDENT HEARTLAND has sponsored 15 oil/gas joint ventures in the "Black Warrior Basin" of Alabama (not including the current offering), and 7 in the state of Mississippi. The joint venture offering brochure cites that the managing venturer believes the joint venture interests

are not securities, and that the information concerning the joint venture has not been filed with, submitted to, approved or reviewed by the SEC or any state securities commission or similar state regulatory agency.

6. Review of the files of the U.S. Securities and Exchange Commission, Public Information Section, disclosed no filing has been made with that entity concerning RESPONDENT HEARTLAND or YELLOW CREEK #2 PROSPECT.

7. Review of the files of the National Association of Securities Dealers, Central Registration Depository disclosed no record of RESPONDENT HEARTLAND or RESPONDENT KAMPS. Files did disclose that RESPONDENT CAGLE was registered as an agent of Kinlaw Securities Corporation **(revoked by the SEC on 08/02/95, and either revoked, withdrawn, cancelled or terminated by all other jurisdictions)** during the period 12/01/87 to 04/07/95 **(including Alabama)** when he voluntarily terminated his association with Kinlaw. Files reflected the following regulatory actions against RESPONDENT CAGLE:

a. On 12/06/09, SEC Docket #SEC890174 reflects an agreement, without admitting or denying the allegations, was entered into with RESPONDENT CAGLE, et al, for transacting business as an unregistered agent in the offer and sale of the unregistered securities of Kinlaw Oil Corporation, resulting in RESPONDENT CAGLE being permanently enjoined from violating the law in the future.

b. On September 30, 1993, SEC Docket #393CV2010-T (civil action) was filed against Kinlaw Securities Corporation, RESPONDENT CAGLE, et al for violations of the securities registration and antifraud provisions of the federal securities laws arising from their nationwide offers and sale of oil and gas interests.

c. On March 23, 1995, NASD #95-01506 (arbitration proceeding) was initiated against Kinlaw Securities Corporation, RESPONDENT CAGLE, et al for Misrepresentation, Account Related Negligence, Breach of Fiduciary Duty and Failure to Supervise. RESPONDENT CAGLE denied the allegations.

8. Review of the files of the State Oil and Gas Board of Alabama disclosed that RESPONDENTS, and their alleged oil/gas well named YELLOW CREEK #2 PROSPECT, are unknown to that Board. Further, the Board's records reflect no permit or other document in the files reflecting RESPONDENTS' connection with any oil/gas well located in Section 12, Township 15 South, Range 15 West, Lamar County, AL.

9. Review of the files of the Commission, disclosed no record of registration or exemption from registration of RESPONDENTS HEARTLAND, CAGLE or KAMPS as a dealer or agent in the state of Alabama, nor any security being offered by them under the names HEARTLAND ENERGY, INC. or YELLOW CREEK #2 PROSPECT.

CONCLUSIONS OF LAW

10. The oil/gas joint venture interests, being offered and/or sold by RESPONDENTS, are securities as defined in Section 8-6-2(10), Code of Alabama 1975, as (a) Certificate Of Interest Or Participation In An Oil, Gas Or Mining Title Or Lease Or In Payments Out Of Production Under Such A Title Or Lease; (b) Certificate Of Interest In Any Profit-sharing Agreement, and/or (c) Investment Contract.

11. RESPONDENTS are neither registered nor exempt from registration as a dealer or agent in the state of Alabama, and have offered joint venture interests in their oil/gas venture entitled YELLOW CREEK #2 PROSPECT to a resident of the state of Alabama.

12. Transacting business in the state of Alabama as a dealer or agent, without benefit of registration or exemption from registration, is a violation of Section 8-6-3(a), Code of Alabama 1975.

13. RESPONDENTS have offered a security to an Alabama resident that was neither registered nor exempt from registration in the state of Alabama.

14. The offer and/or sale of a security without benefit of registration or exemption from registration is a violation of Section 8-6-4, Code of Alabama 1975.

This Order does not prevent the Commission from seeking such other civil or criminal remedies that are available to it under the Alabama Securities Act.

This Order is appropriate in the public interest for the protection of investors and is consistent with the purposes of the Alabama Securities Act.

ACCORDINGLY, IT IS HEREBY ORDERED that RESPONDENTS HEARTLAND, CAGLE and KAMPS immediately **CEASE AND DESIST** from further offers or sales of any security into, within or from the state of Alabama.

Entered at Montgomery, Alabama, this 16th day of September, 2002.



ALABAMA SECURITIES COMMISSION
770 Washington Avenue, Suite 570
Montgomery, AL 36130-4700
(334) 242-2984
BY:

A handwritten signature in black ink, appearing to read "Joseph P. Borg", is written over a horizontal line. Below the signature, the name "JOSEPH P. BORG" and the title "Director" are printed in black capital letters.

JOSEPH P. BORG
Director